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TRANSPORTATION  
COMMISSION**

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## *Memorandum*

TO: Administration Committee

DATE: May 7, 2008

FR: Executive Director

W.I.: 1152

RE: Draft MTC Agency Budget – FY 2008-09

Attached is the draft MTC agency budget for the 2008-09 fiscal year. The draft \$107.6 million operating budget, as proposed, projects a slight operating deficit. In addition, the draft budget includes \$3.5 million in capital projects, of which \$365,000 would come from reserves. Both of these numbers will be further refined as staff works on the final budget recommendations and changes for your approval in June.

Highlights of the revenue and expenditure assumptions built into the budget are described below.

### **Revenue:**

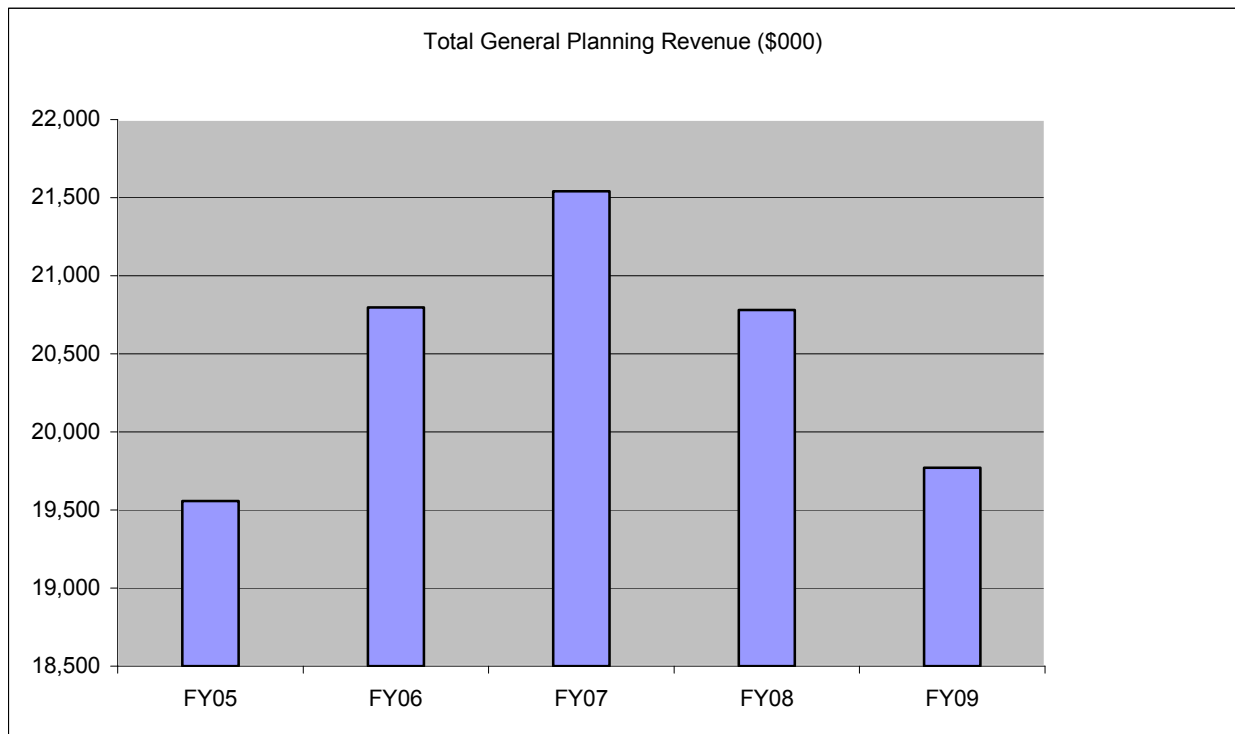
Net MTC operating revenue for fiscal year 2009 will increase by 8% compared to the 2008 budget. A summary is as follows:

<b><u>Revenue (in millions)</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>% Change</u></b>
Federal Planning	\$ 9.0	\$ 14.1	(36%)
TDA	10.6	10.6	0%
Regional Planning	6.8	6.8	0%
Other Revenue	1.7	1.7	0%
Transfers	<u>42.0</u>	<u>30.4</u>	38%
<b>Operating Revenue</b>	<b>\$ 70.1</b>	<b>\$ 63.6</b>	<b>10%</b>
Less Passthrough Costs	(\$ 8.8)	(\$ 11.4)	23%
Project Revenue *	<u>\$ 46.3</u>	<u>\$ 47.4</u>	(2%)
<b>Net Operating Revenue</b>	<b><u>\$ 107.6</u></b>	<b><u>\$ 99.6</u></b>	<b>8%</b>

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\* Excludes prior year, carryover revenue of \$26.2 million

Of the overall revenues, federal planning revenue is down from the prior year as we are not receiving the additional augmentation amounts experienced in the past. Since the passage of SAFETEA, there had been a number of adjustments to increase the planning funds to regional agencies, catching up to the statutorily mandated levels; however, those adjustments were concluded in fiscal year 2008.

Total general planning revenue, including federal planning revenue, sales tax and interest has declined in fiscal year 2009 from its peak in fiscal year 2007 as seen in the chart below.



The sales tax revenue projected for FY2008-09 might have to be revised during the year, given the nature of the economy.

Transfers are up largely due to an \$11.4 million increase in State Transit Assistance (STA) funds that underwrite MTC administered transit coordination programs, reflecting a ramp up of activities in those areas. There are \$14.8 million of STA funds for new Lifeline projects included in the fiscal year 2009 budget.

**Expenditures:**

Current year operating expenses will increase by \$7.5 million (7%), although there are no staffing changes proposed. The expenditures are summarized as follows:

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
<b>Staff</b>			
MTC	123	123	-
BATA	37	37	-
SAFE	<u>6</u>	<u>6</u>	-
Total Staff	166	166	-
<b>Expense (in millions)</b>			
Salaries/Benefits	\$ 19.8	\$ 18.8	5%
Contractual	83.1	76.4	9%
Other Operating Costs	3.8	4.0	(5%)
Other Post Employment Benefits (OPEB)	<u>1.1</u>	<u>1.1</u>	0%
<b>Total Operating Expense</b>	<b><u>\$ 107.8</u></b>	<b><u>\$ 100.3</u></b>	<b>7%</b>

Salary and benefit costs will increase by 5% due mainly to the following:

- salary adjustments are projected at 3.5%, consistent with MOU provisions;
- medical costs are projected to increase by 10%, reflecting continued cost increases.

MTC will pre-fund the OPEB liability in fiscal year 2008. The OPEB annual required contribution still shows in future budgets with a corresponding OPEB offset.

Contractual costs are budgeted to increase by 9%, however, most of these expanded contractual costs are funded with project specific funds that do not draw on general planning revenues. The primary changes to contract services include several major MTC project initiatives outlined in the following table:

<u>Program</u>	<u>Budget Change</u>
511 Operations - transferred from capital projects in the prior year	\$6.7 million
Implement Lifeline Program – expanded program with Proposition 1B and STA augmentation	\$14.5 million
Regional Transit Coordination – transition from higher startup costs in FY2007-08	\$(10.1) million

The current status of the reserve, including estimated actuals for FY 2007-08 and budgeted amounts for FY 2008-09, is included in the table below.

<u>Description</u>	<u>Actual FY 2007</u>	<u>Estimated FY 2008</u>	<u>Projected FY 2009</u>
Benefits Reserve	\$ 5,235,767	\$ 0	\$ 0
Building Reserve	\$ 979,168	\$ 0	\$ 300,000
Liability Reserve	\$ 2,167,438	\$ 1,724,000	\$ 2,000,000
Fixed Asset		\$ 500,000	\$ 500,000
Other Restricted	\$ 8,146,092	\$ 8,108,864	\$ 8,358,864
Unrestricted	<u>\$ 10,290,370</u>	<u>\$ 7,688,060</u>	<u>\$ 6,662,060</u>
Total Reserves	<u>\$ 26,818,835</u>	<u>\$ 18,020,924</u>	<u>\$ 17,820,924</u>

The projected unrestricted balance for fiscal year 2009 reflects the current budget deficit of \$486,409, including \$365,000 in capital projects. The projected “unrestricted” reserve represents only 6.2% of operating expenditures. The adopted goal is an unrestricted reserve equal to six months expenditures. We will continue to evaluate the budget for opportunities to improve our reserve level.

We will continue to develop a balanced operating budget and return to this committee in June with the final proposed FY 2008-09 agency budget for adoption.

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Steve Heminger

SH/BM